# FISCAL NOTE

**Bill #:** **HB0526** **Title:** **Regulate deferred deposit lending**

**Primary Sponsor:** **Jeff Mangan** **Status:** **As introduced**

Sponsor signature Date Dave Lewis, Budget Director Date

## Fiscal Summary

| | FY2000 Difference | FY2001 Difference |
|---|---|---|
| **Expenditures:** | | |
| State Special Revenue | $67,000 | $62,700 |
| **Revenue:** | | |
| State Special Revenue | $67,750 | $63,000 |
| **Net Impact on General Fund Balance:** | **$0** | **$0** |

| Yes | No | | Yes | No | |
|---|---|---|---|---|---|
| | X | Significant Local Gov. Impact | X | | Technical Concerns |
| | X | Included in the Executive Budget | | X | Significant Long-Term Impacts |

## Fiscal Analysis

ASSUMPTIONS:

1. The Department of Commerce (DOC) currently licenses (under another act) approximately 30 businesses that engage in deferred deposit lending. It is estimated that an additional 170 businesses engage in deferred deposit loans. Because of the fee restrictions imposed by this bill, any estimates of the number of business that will choose to become licensed are highly speculative. For this fiscal note, assume that 125 businesses will apply for a license in FY2000, that 110 of those will renew their licenses in FY2001, and 25 will apply for a new license in FY2001. License fees are estimated at $350 for the initial year of licensure, and $275 for annual renewal. FY 2000 revenue from licenses will be $43,700 (125 x $350); and FY2001 revenue will be $39,000 (110 x $275 + 25 x $375).

2. Examination fees are estimated to be $300 per examiner per day, and it is estimated that the examiner will be in the loan offices 80 days per year (most exams lasting ½ day), providing annual revenue of $24,000.

3. The deferred deposit lending regulation program will be independent of any existing program within the Banking and Financial Institutions Division, will be self-supporting, and will not require any general fund support.
4. 1.00, auditor (grade 14) and 0.50 grade 9, administrative assistant (grade 9) would be required to perform the duties and responsibilities specified in the bill. Personal services costs are $42,700 each year of the biennium. Operating costs are estimated at $24,300 in FY2000 and $20,000 in FY2001. The costs are primarily travel related (meals, lodging, transportation), for the examiner to be on the road 80% of the time. Additional costs in FY2000 are for rules writing and computer purchase.

FISCAL IMPACT:

| Department of Commerce | FY2000 Difference | FY2001 Difference |
|---|---|---|
| FTE | 1.50 | 1.50 |
| | | |
| Expenditures: | | |
| Personal Services | $42,700 | $42,700 |
| Operating Expenses | 24,300 | 20,000 |
| TOTAL | $67,000 | $62,700 |
| | | |
| Funding: | | |
| State Special Revenue (02) | $67,000 | $62,700 |
| | | |
| Revenues: | | |
| State Special Revenue (02) | $67,700 | $63,000 |
| | | |
| Net Impact to Fund Balance (Revenue minus Expenditure): | | |
| State Special Revenue (02) | $700 | $300 |

TECHNICAL NOTES:

1. HB526, in its present form, does not authorize the DOC to charge application, renewal, or examination fees. Amendments should be considered to allow program costs to be recovered from licensees.
2. CI-75 would require that the new fees be approved by the electorate. A companion bill should be introduced to submit the fees to the electorate.
3. A state special revenue account would need to be established for the department's use in meeting its supervisory and regulatory obligations. HB526, in its present form, does not create a state special account. An amendment should be considered which creates an account from which to deposit program revenues and to fund program expenditures.
4. Most new programs have an effective date of July 1, 1999, to provide a complete fiscal year.

## DEDICATION OF REVENUE:

a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)

Customers of deferred deposit lending companies would benefit from state regulation and consumer protection. The Department is proposing that amendments be considered which would allow for the recovery of program costs from licensees.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

By placing the proceeds of this proposed legislation into a state special revenue account the Legislature is assured that the program is enacted and working as intended and that licensees fees are commensurate with program costs.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? ____Yes __X__ No (if no, explain)

HB0526, in its present form, does not authorize the department to charge application, renewal, or examination fees. Additionally, CI75 would require that a referendum be held to allow the establishment of fees commensurate with program costs. Amendments should be considered which would allow for program costs to be recovered from licensees and to put said fees onto the ballot.

d) Does the need for this state special revenue provision still exist? __X__Yes ___No (Explain)

As long as the Legislature mandates a deferred deposit lending regulation program the need for a state special revenue fund would exist.

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)

No, the establishment of a SSR will not hinder the legislature's ability to scrutinize budgets, control expenditures or establish priorities. A SSR account will assist in each of these items.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)

Yes, provided the Legislature would continue to mandate a deferred deposit lending regulation program the need for a state special revenue fund would exist.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

A dedicated revenue provision, would provide accounting efficiencies within the Department of Commerce. It would allow for the quick and accurate analysis of how effective and efficient the deferred deposit lending regulation program is. If this proposal were to be funded through the general fund it would be much more difficult to determine program effectiveness and efficiency. Amendments should be considered which would allow for program costs to be recovered from licensees.